

Commission on Streamlining Government

Senator Jack Donahue, *Chairman*
Roy O. Martin, *Vice Chair*
Angele Davis, Commissioner of
Administration
Barry Erwin
Brett F. Geymann, Representative
Leonard Hardman
John Kennedy, State Treasurer
Lansing Kolb
Mike Michot, Senator
Jim Morris, Representative



P. O. Box 44481
Baton Rouge, LA 70804
Telephone: (225) 342-2762
or 1-800-205-9873
Facsimile: (225) 342-9784
email: streamline@legis.state.la.us

Commission Staff
Jerry J. Guillot, *Administrator*
Tim Prather, *Coordinator*
Trudy Fourmy, *Secretary*

Advisory Group on Outsourcing, Privatization And Risk Management

Minutes Meeting of September 17, 2009

I. CALL TO ORDER

A meeting of the Advisory Group Outsourcing, Privatization and Risk Management at the Council Briefing Room, Lafayette Consolidated Government Bldg. 705 West University Ave. Lafayette, Louisiana. The Chairman, Roy O. Martin called the meeting to order at 1:08 pm.

II. ROLL CALL

The Secretary Gail Brister called the roll and the following was noted:

MEMBERS PRESENT:

Roy O. Martin - Chairman
Rep. Brett F. Geymann
Bill Fenstermaker
David Perry
Raymond Peters

MEMBERS ABSENT:

Five members present and a quorum.

STAFF PRESENT

Tom Wade - Coordinator
Gail Brister - Secretary
Frank Pitts - Sergeant-at-Arms

III. WITNESSES PRESENT

Vince Sagnibene; Undersecretary with the Department of Environmental Quality
Harold Leggett, Ph.D; Secretary with the Department of Environmental Quality
Thomas Bickham, Department of Public Safety and Corrections - Corrections Services

Bud Thompson; Office of Risk Management
Ramsey Green; RSD of New Orleans
Paul Vallas, RSD of New Orleans
Charles W. Landry, private citizen

IV. PRESENTATIONS:

- Department of Public Safety and Corrections - Corrections
- Office of Risk Management
- Recovery School District of Orleans Parish
- Department of Environmental Quality

The Chairman called the meeting to order and asked for a roll call. All members were present.

Mr. Roy O. Martin started with a review of the minutes and approve them from the previous meeting. Mr. Fenstermaker made a motion to approve the minutes which was seconded by Mr. David Perry.

Mr. Thomas Bickham with the Department Public Safety and Corrections - Corrections Services and with him Waylan Gibbs, who is Assistant Undersecretary with the department.

Rep. Brett Geymann stated that he had been visiting with some folks that do the work release program across the state. He asked for Mr. Bickham to talk about that and where we are with that concept and where the department is going with it.

Mr. Bickham stated that very simply put the program allows an offender while still in the custody of the department to go out and work and earn money, pay bills, and pay restitution, and at least start the process to re-adjust and re-enter society. The basic premise behind it again is to give guys a chance and most of you know that the number one priority right now is re-entry. The rate in this state is 46% of the people released are coming back to the department within five years. Out of all the people serving time in the correctional system 95% are coming back to your communities. So it is not like we are just sending them up and locking them away and never seeing them again. We realize we have to do something. To stem that flight back into our institutional facilities, we are going to do that through work release.

The key in this re-entry program is work release because it gives the guys the ability to get a job and earn money so they will have something in their pocket when they leave. As it stands right now we have about 3,800 work release slots or beds spread throughout the state. Right now we have about 3,470 in those slots. Basically, I will give you a brief overview of how these work release programs work. You are talking about Mr. Leonard over in your area, Representative Geymann; he has been in this business a long time. What these guys do is they help them find employment, they take them to and from the job site every day. The department for that service instead of having them in a normal adult correctional facility, we pay the work release folks \$18.39 a day. The offender puts up \$5.00 a day for room and board. Also after all taxes are taken out and when you look at the net of the inmate after the per diem charge, the work release facility based upon the salary or the hourly wages these people are making can keep up to about fifty percent that the offender makes. What the offender makes is banked. They can use some of what they make to purchase necessities, incidentals, those kind of things and depending on how that they are in they build up their balance and that is

what they leave with. They leave with the money that they earned. Next, how do you qualify for work release? For our nonviolent offenders ,you can qualify for up to three years out. Just because you qualify does not mean you get to go to work release because there is still a lot of discretion at the warden's level. Just because the guys are within three years he may have been a knuckle head the whole time he was in our institution and he may not be suitable for work release. Nonviolent offenders three years out, violent offenders six months out is the current requirement, and we also had legislation introduced this past session that allows for this situation: if anybody regardless of the crime serves at least fifteen years, he will be eligible for work release within a year of release.

Rep. Geymann stated that it sounds like the system is effective and it works and it saves the state money. How do we expand that?

Mr. Bickham stated that it is the department's intent to expand the program. We had a meeting with the House Judiciary Committee this morning and the same discussion came up. In a ideal world if we take a guy out of our state institution and put him in work release, that bed does not stay empty for long if you look at the crime rate in this state. We have the second highest incarceration rate behind the District of Columbia, but really we have the highest incarceration rate in the world in this state. We have a backlog of warrants just waiting for somebody to be arrested. It is going to take money in order to be able to expand this program. It is going to take the equivalent of the \$18.39 a day for however many beds that we want to open times 365 days.

Rep. Geymann asked that if we increase this program it would end up costing us more?

Mr. Bickham stated that it would but in the long run it is an investment in reducing recidivism and we have seen that these people going through work release. I think, Mr. Martin, you have several that work for you as well. These guys when they get these jobs and they keep these jobs they become tax paying citizens of the state. We do recoup some of the cost on the back side. In the long run, we you will see recidivism reduced because of what we are doing with this program; you are not going to see it right away so you have to spend money now to save a lot of money down the road.

Rep. Geymann asked if Mr. Bickham was looking at a budget cut? By spending this you are saving. This would not be the tool to use .

Mr. Bickham stated that if we had to take additional cuts and this question was asked doing the bigger group meeting when we had to testify back on Sept. 2nd. Mr. Erwin asked the department secretary you have done a lot of stuff, you have done just about everything you can do. What's next? And he testified that probably the next thing we are going to have to do is start closing parts of our institutions or maybe a complete institution itself. If we were put into that situation work release would be one of the places. When they qualify and assuming they are suitable for work release, that would be one of the areas we would look to put these offenders that are within three of release or six month or a year depending upon their sentencing situation.

Mr. Perry asked that every time you empty one bed your going to fill them back up?

Mr. Bickham stated that has been their experience. The intake into the state system has increased over the years, not decreased.

Mr. Peters stated that they have been taking a number of inmates and converting them to certain active and productive individuals and had actually moved them up to well-paid positions in the

organization and that he could certainly attest to the fact it's been a very successful program in Natchitoches and Rapids Parish. The biggest challenge that you have with that is twofold; one is public perception and we are often called to advise other employer who are interested in using work release folks and we talk about our success. The other thing that's a challenge is we find that there are those people that fall through the cracks or those that have not paid for housing and transportation to the job. If we can cure that we can cure the transportation issue. But once they are released, then that's where issues come up and we certainly try to work with them as best we can.

Mr. Bickham said those are some of the basic tenants of our re-entry program. You got to have a skill and you have to have a job and you have to have a place to live. You have to have identification, a drivers license or an ID and you have to have a continuum care, once you get out.

Mr. Perry said we have to help them with that.

Mr. Bickham said correct, absolutely, now that is what we do at our adult institutional level. Sometimes those that get redirected into the work release, they don't sometimes get those services. Now some of the work release facilities are really good about helping these people transition, others aren't. That is something that we are working with these individuals work release facilities to help us with. But, you are right; once they get out there are still hurdles to overcome.

Rep. Geymann asked what do you think the population of the prison system, if you had unlimited work release opportunities, what percentage would qualify for that?

Mr. Bickham stated that off the top of his head assuming we have forty thousand people in custody right now, I would say probably five to six thousand not just qualified but would actually be put into work release.

Rep. Geymann stated we are about twelve hundred short, you said thirty-eight hundred?

Mr. Bickham stated there are about twelve hundred vacant.

Rep. Geymann said so you can put in another twelve hundred in right not?

Mr. Bickham said that's correct. We have twelve state prisons but two of them are operated by third parties.

Rep. Geymann asked which two are they?

Mr. Bickham stated Allen Correctional Center and Winn Correctional Center. Allen is run by GEO and Winn is run by Correctional Corporation of America.

Rep. Geymann asked if we take 1200 people out of the prison system and put them in work release and privatize, I'm just throwing that out. Does it even work or will that be a cost saving tool?

Mr. Bickham asked if he was looking at lowering the prison population? Would you suggest we shut down an institution?

Rep. Geymann said no, he is saying instead of the state operating so many institutions, we move some more of the inmates out to work release which will be an additional cost saving.

Mr. Bickham stated that we will still have those beds at that private institution for our use. The state will not be operating but we would be paying to have people in those beds.

Rep. Geymann asked if it is cheaper to pay third parties to operate Winn and Allen?

Mr. Bickham stated that right now we pay Winn and Allen \$32.00 dollars a day per inmate.

Rep. Geymann said that is compared to \$54.00.

Mr. Bickham said our system cost is \$54.00 a day per inmate. Winn and Allen's sister institution which is Avoyelles Correctional Center in Cottonport runs a lot leaner than that. They are at about \$41.00 a day. Probably the big difference is what we pay our security officers versus what they pay their security officers which makes up the bulk of that difference. Some of the things that you need to consider with work release a lot of it is based upon the employment atmosphere in a particular area. That is why we have vacant beds right now because they are having a difficult time finding people jobs and they are competing. One of the other things that we have is this, impression that they are competing against free world people for the same jobs. We have been approached by people with that concern before.

Rep. Geymann stated that he knows it's not a perfect.

Mr. Bickham stated that it's not, but the more we can put in work release the better.

Rep. Geymann stated that this committee is working on outsourcing and privatization. We are looking for ideas on where we can privatize more.

Mr. Bickham stated that the more we can put in work release the better for everybody.

Mr. Fenstermaker stated that part of the question we have to ask is whether privatization will work? How much does it save the state versus a system in which the state runs the prisons? The number that you gave was about a nine dollars per day difference.

Mr. Bickham stated nine dollars is correct. It is about a six million dollars difference on an annual basis.

Mr. Fenstermaker asked if that includes the retirement benefits and everything or does that just included the actual hours a day.

Mr. Bickham stated that includes everything. That figure includes everything that we have to pay to our people.

Mr. Martin stated that one thing that he thinks they are looking at is to outsource the mental health services, the drug addiction services and the health services. Tell us about that.

Mr. Bickham stated that we currently have three RFP's on the street: one is for food services, the second is pharmaceutical services and the third is the processing of probation and parol fees. Outsourcing is not so much to save money but gain an efficiency. We need to free up these guys to have a hundred and twenty-five per person case load which is extremely high; it is much more than the southern average of one hundred. In the area of food service, I am not sure how promising that

is because one if the things that we have done really well over the years at our correctional institutions is cook and serve food . One of the things that is most important to keeping your prison population happy, especially in this state, is feeding them well -- feeding them a lot and feeding them good food.

Over the years we have gotten really good in how we do food service, both on a quality stand point and from a cost stand point, and probably the biggest hurdle for a private company to overcome if they were to come into our institution and run our food operation is security. It's a kitchen, it's on prison grounds and we have to provide security, and what we have done over the years is we have taken. There may have been two people in the kitchen at one time; one was the kitchen manager and one was the security officer. Well, what we did was we got smart. We said, you know the security office, he knows how to run a kitchen so he can serve both functions. The inmates do all the work in the kitchen, we just need somebody there to supervise them. So what we have done is reduce the number of FTE's down to two in the kitchen. So any private entity coming in and wanting to take over our food services would have to, that's a hurdle they will have to overcome. They have to put people in there that we are not going to lay off and see a saving. They have to overcome that non-savings they are going to have because of the number of people in these kitchens that we currently have to put in those kitchens. We are currently evaluating that right now we have two proposals, two very good proposal people who are very big in this industry and know what they are doing.

Mr. Martin stated that the privatizing of the food service in this area does not look too promising.

Mr. Bickham said no. The other one is our pharmaceutical. Now this one we are more optimistic about. We have received six responses to the RFP's and we are evaluating them right now; in fact, we are close to making a selection. The pharmaceutical cost, there are two components to what we do. We have our personnel and our pharmaceuticals. The state as a whole gets a pretty good deal on pharmaceuticals. We belong to a consortium. We get really good prices on our pharmaceuticals; but that is not to say we can't get better. So when you have a big company that buys a lot of pharmaceuticals, they can drive the price down so we see some savings there, but it is going to be incremental. Where we are going to see our savings is on our staffing side. Each institution has one pharmacist or more, pharmacy techs, etc. We have a rather large makeup with personnel service. The way these companies operate, there are not in the state. You basically send them your prescription for what you need and within 24 hours they send you what you need either through Federal Express or UPS. Sometimes the US Postal Service does this too. We see some potential savings there. Those are some of the things we are doing now. The things we are considering, are health services. I can tell you down to a penny how much it cost me to feed an inmate everyday. Ask me how much it cost to provide medical service and that's a whole other issue. It's not so easy to calculate that cost.

Mr. Martin asked how much it cost?

Mr. Bickham said I don't know. We know how much we spend but don't know whether or not that money is being spent appropriately. We are in the business of running a prison. If the Medical Director came to the warden and said I need forty-four new nurses, we don't know how to evaluate that request. So over the years what you had was a medical operation that did not have the same level of scrutiny as the incarceration side of our business received. It's not to say that it is out of control. But we think we can do a better job of how we administer our medical program and mental health programs in our institutions. One of the other things we are considering we talked about converting Wade Correctional Center which is in Shreveport to a substance abuse facility. This is a service that people in the private side they do this day in and day out and if they can do it at a better price than we can, we are going to consider that.

Lastly is a complete outsourcing of our Probation and Parol fees. We are going to take that completely out of our hands and turn it over to a third party and let them take their cut. Our thinking here is that, again, there are collection agencies that know how to go after these people that are in arrears. We are probation parol officers, we are there to make sure you are following the law we don't necessarily have the same skill sets that these collection agencies have to be able to go in and collect these monies that are owed to department.

Mr. Martin asked what is the total amount in arrears?

Mr. Bickham stated \$10.6 million maybe is what's sticking in his head right now.

Mr. Martin so 60% of that is in arrears.

Mr. Bickham stated no \$10.6 million is what is owed. We collect on a average of about \$18 million a year. That \$10.6 million has built up over the years.

Mr. Martin asked what part of the \$10.6 million over a hundred and eighty days old or older?

Mr. Bickham stated roughly about 75%. These guys didn't necessarily go through work release; they didn't have the money when they came out in order to pay their supervision fees. Our thinking is if we can work these people on that fringe and let them work on that amount of money, what they are going to charge us for the things that are easy to collect will be minimum. If there is a fiscal impact it is going to be minimum.

Mr. Martin asked if the department has garnishment authority?

Mr. Bickham stated yes we do but that requires going through the court system.

David Perry stated that when he talked about health care he mentioned certain constitutional requirements, which constitution, federal or state?

Mr. Bickham stated that it is the Constitution of the United States. Basically, you have to give them dental care, we were under court order for a long time here in the state. One of the areas they focused on was the health care. We had to make certain changes to correct that. There is a certain minimum level we have to provide to our population which frankly is no less than what the state is responsible for its normal free population.

Mr. Bickham stated that with regard to medical care, they have two thing: one is KOP and the other is pill call. The one we call KOP, which is keep on person, and which is like high blood pressure medicines, cholesterol medicines, and those kind of things. Some of the inmates can keep those on themselves. For the rest we have what is called pill call. They show up at a certain time every day to a door or window and they are given their medication for the day. That is done by security officers right now. Sometimes it's done by EMT's; just depends on the institution. But that's still going to continue.

Mr. Perry asked about the food products. What percentage of the food is grown or processed on the site?

Mr. Bickham stated that out of \$7.2 million a year spent on food cost, the value of what we get out

of our gardens is about \$270 thousand.

Mr. Perry asked if he can't grow more or process more?

Mr. Bickham said they raise their on cows and they have a really good grade of beef which the department sells on the open market and then they use that to buy utility beef to feed the inmates. That is not considered in the calculation as far as a savings. We probably should because in the end that pays for our meat. Angola has a lot of potential to grow vegetables for other institutions and they are ramping that program up right now. They are supplying Dixon and Elaine Hunt as well as Avoyelles right now with whatever vegetables they are growing.

Mr. Perry asked if they have free labor.

Mr. Bickham stated yes they do and we are expanding right now.

Mr. Martin stated that something that he has learned today is that you have 6 RP's

Mr. Bickham stated they have 3 out and three that they are considering.

Mr. Martin asked if that through the prompting of the Governor?

Mr. Bickham stated, no, that is the prompting of their Secretary. He is a firm believer in that if we can do it for less, then let's do it.

Mr. Martin stated that another thing being looked at statewide is automobiles. The state has something over 12 thousand state vehicles. He asked if the department can review the uses of its vehicles and see whether they can cut down on their vehicles.

Mr. Fenstermaker asked for clarification on the number of RFP's.

Mr. Bickham stated they have three RP's out right now. The food services has two bids, the pharmaceuticals has six bids and the one for the collection of probation and parole fees is not closed yet so they don't know but are anticipating several proposals on that as well.

Mr. Martin thanked him for coming. He also commented that Mr. David Perry was not at the last meeting and he asked if he could give everyone a short history about himself.

David Perry stated he is from Lake Charles, served on the city council in Lake Charles for twelve years and just recently got off of that, that he has a health insurance agency and that he deals in real estate.

Mr. Martin next called upon Mr. Harold Leggett with DEQ.

Mr. Harold Leggett stated that he appreciated the invitation to come speak to the group. One of the things that he really like when he first came into the agency a couple of years ago was that the Governor brings some let's-get-down-to-the-point concepts to the table, and he really likes ideas about how to make government work better. In an agency like DEQ we don't get a lot of general fund money which means we don't get a lot of state dollars. DEQ operating money comes from fees that we raise, fines from violations and grants from the federal government.

We don't get a lot of general fund dollars, and actually a pledge made to Rep. Fannin a year ago was that by next year DEQ would be completely off general fund money. So, in a sense, at DEQ we operate much like a household. We live off of what we take in. If I don't take in enough then I need to go out and evaluate and see where I can reduce my expenses. He wants to work smarter. Streamlining doesn't necessarily save us money. It may but it doesn't necessarily save money. What streamlining, or the process of streamlining, does for an agency like DEQ is it makes us look at how we do things so we can see if there is a better way to do them. The department is roughly twenty-five years old, and the time is good to look and see if there is a better way to do things. What we have been looking at in the agency is other ways we can make the agency work better and be more efficient because if I can save a dollar in the agency then that means I've saved money that would have been paid by a user. I call them customers. Some folks take offense to that but I still look at the people who use the agency so they are customers. Then the resource that we have can be stretched further, and one of the things that Bobby has been real clear about is we need to go out and try to be more proactive in how we deal with things in the state. What we try to do is take the savings that we can find in the agency and invest in the concept we call front loading, invest and gain information and knowledge, and get out to our communities to develop relations and help them to see what they need to do to get in compliance with the environmental laws and regulations because that is what DEQ is about. It is not about beating up on folks but about helping them to get in compliance so we have a great place to live.

Let me talk about why we are doing some of the things we're doing in the agency. In the package is what we call our front loading plan that is the plan we came up with when we came on board with Governor Jindal. It kind of shows some of the background of what we are going through. One page 3 you see a page that has green and red. This is important because it shows where we generate our own money and the things that we do that we don't get any money for. We don't get money to do criminal investigations; we don't get any money to handle complaints. And complaints take up about 18 - 22 percent of my folks time. Compliance, I think, is a smart investment. Beneficial environmental projects, environmental education, again, that is front loading. We deal with a lot of issues from "my neighbor's dog bark too loud" to "I don't like the smell of the Bar-B-Q pit coming from next door"; we get engaged in all that type of activities. I think when a citizen sees DEQ coming out and responding to those things it helps them build confidence in the agency, that the agency is doing the right thing. I am having to pay for some of these programs shown on the chart in red. How are we doing it? Historically, we have lived off of environmental trust fund. The environmental trust fund is set up for the agency to handle emergencies and crisis. During hurricanes Katrina and Rita, we spent \$7 million on hurricane issues that we sought reimbursement for. If I didn't have the environmental trust fund in place to deal with the expenses I would have had to shut down some other parts of the agency. When you look at DEQ, we have several trust funds, we have environmental trust fund, storage tank trust fund, hazardous waste cleanup trust fund, and the favorite, the waste tire fund. Most of those monies in those funds get spent annually going to contractors. They go to people recycling tires; they go to sites being cleaned up. On page 5 you have some streamlining ideas. One of the things we have at DEQ is an incredible laboratory. We began to look at what was the return on investment for this lab; we simply asked some hard questions that we ourselves weren't able to answer. So we brought in some contractors who evaluate labs. They basically found that the value of the service that was provided by our lab was worth \$1.7 to \$2.2 million a year. I'm paying five verses two; that is kind of a no brainier. We are going to out source our laboratory, some folks will say that is not a great investment because the state built that lab and that's true but at the end of the day I can out source analytical services, still pay the debt service on the building and still save one million dollars. What we hope to do is look at another state agency that could use our lab or take our lab and modify it again. The other concept is to completely privatize it. Simply making an offer on

the street, we actually have some offers that are in the process. There is a scenario where the lab can generate revenue to the state, those are being evaluated right now between us, DHH and the Division of Administration.

I heard some conversation about vehicles. One of the things we looked at when we first came to DEQ was the number of vehicles. I saw DEQ vehicles driving everywhere. I saw a lot of them sitting at the building. I asked our folks how many miles do our vehicles use and that's the way the state measures their use is by miles driven. That's not necessarily the appropriate way to measure because you can put a lot of miles in on a few trips but that vehicle is only being utilized for a days. So we have decided to look a little bit more at how many trips, how many times that vehicle is leaving the building to do some work. We just arbitrarily said that if it is not making more than ten trips a month it is hard to justify that vehicle. Ten trips will basically mean a trip every other day every other work day. We found out that about ten percent of the vehicles in DEQ need to go and we eliminated the vehicles. What we found was there were savings in that because we didn't buy new vehicles. We were able take out some of the newer vehicle that weren't being used to replace the older vehicles with a high maintenance cost, high fuel cost and that improved the efficiency of the agency.

We are taking some of the department resources out of Baton Rouge and putting them out across the state in offices in Lafayette, Shreveport, Monroe, etc. We use to ask our folks to go from Baton Rouge and go all the way to Shreveport or some other location to provide a field service and that made no sense at all. Why not put those folks in a regional office, enhance those regional office, so that more work can be done in a more efficient way. Those people out in the regional offices also can stay on track for promotion and move on up in the department. You could not do that before and we lost many of our employees to private industry unless they were in the Baton Rouge office. Now they stay with us; they have the opportunity to advance. We are also changing how fees are paid. There is a lot of computerization in this day and age, and now you can pay your fees to us on line and also submit permit applications online. That's what we are doing at DEQ. We are saving money but we are doing it in a way for us to invest somewhere else. We can move people from positions where they used to review permits (that's basically done by computer now), and we can put them to work doing other jobs now. We can use them to do outreach, to help people come in compliance. I think it is a huge opportunity. There was a brief discussion of the GIS system and combining that system with other agencies utilizing similar systems.

Mr. Fenstermaker stated that they have a state-of-the-art GIS system. He asked about the statement that some complaints are made anonymously. If the department wanted to stop doing that and you only people to make signed complains, could you do that without going to the legislature?

Mr. Leggett stated that my attorney tell me no, but no one could show me in the statute where it said I can't make them do it.

Mr. Fenstermaker stated that those complaints cost you money and you gave some statistics that the majority, like 90 percent, of them amount to nothing.

Mr. Leggett corrected that to 99 percent.

Mr. Fenstermaker said that the serious complaints people are willing to put their name on it as a general rule, is that right?

Mr. Leggett stated that was his experience.

Rep. Geymann asked about the statement regarding 18 percent.

Mr. Leggett stated 18 percent of his staff are involved with dealing with complaint type issues.

Rep. Geymann stated that to him it does not look like it is working.

Mr. Leggett stated that he agreed with him.

Rep. Geymann stated that he doesn't know what impact it will have if he was going to file a complaint if he is required to sign it.

Mr. Leggett stated that what folks don't want is to have their name put out there for the public to see but they want us to respond back to them. They want us to try and serve as a wall between them and the person they are complaining about.

Rep. Geymann asked how do we solve that problem?

Mr. Leggett stated that he was going to continue to talk about it at the legislature. I need help with the legislature because this is a sensitive subject to some folks.

Mr. Martin stated that another possible comment is the only way you can make anonymous complaints on line. If they make anonymous complaints on line you can filter them.

Mr. Fenstermaker stated that you can have certain types of complaints on line.

Mr. Martin said similar to where an employee can complain about the employer and that can be anonymous.

Mr. Leggett said there is already some legal protection.

Mr. Peters asked how many of that 1% come from the anonymous complaints?

Mr. Leggett stated that he wouldn't know the number. One percent of our complaints result in an enforcement action.

Mr. Peters stated that they need to make a better margin.

Mr. Leggett asked that he be permitted to gather that information and submit it later.

Mr. Fenstermaker asked if he hasn't found anything statutory wise that would prevent DEQ from taking action on your own?

Mr. Martin stated he will refer that to his colleague.

Mr. Fenstermaker said just for the record and he is not sure it is necessary just for the advisory group he doesn't do any work for DEQ nor has he hired any employee from DEQ, but he does have an understanding of what DEQ does because he does permitting work.

Mr. Martin asked if he has talked to his fellow Secretary Angelle at DNR about some of this?

Mr. Leggett stated that we are looking at several things, consolidation-type activity involving some of the old field activities, oil inspection activities, looking at relocating that out of DNR and into DEQ. We have folks in regional office everywhere who are already doing it. It is just a matter of absorbing those people into that activity. There is a lot going on in Secretary Angelle's shop and our shop that results in overlapping.

Mr. Martin stated that it is a great opportunity for consolidating overlapping skills. I am fascinated that you have reduced 10% of your people. I would like for you share with the commission how you did that. Because we are about to do that state-wide.

Mr. Vince Sagnibene, Undersecretary with DEQ, stated that he has prepared a hand out of exactly how the department tracks vehicles that show number of days, fuel cost, miles, and days used per month.

Mr. Martin said all of Louisiana thanks you.

Mr. Sagnibene said every quarter I look at this again. They are going to have to show me more efficiency or I will cut more cars.

Mr. Martin said you told me it was less than ten trips per month.

Mr. Sagnibene said yes.

Mr. Leggett stated that if he had a vehicle used less than half the time, then he can easily get rid of another vehicle. I have one vehicle being cared for by two people now. That is the logic behind why I picked ten days.

Mr. Martin asked for figures on how many the state had.

Mr. Sagnibene said thirty-three to thirty-four vehicles. What really saved us is we didn't buy any new vehicles. That was a \$700 thousand savings and another \$160 thousand in automotive supplies.

Mr. Martin asked if he did not replace any of those vehicles?

Mr. Sagnibene said DEQ was not going to replace them.

Mr. Leggett stated that at DEQ we are looking at the vehicles with four wheel drive. We are changing the nature of our fleet. It's not just about eliminating vehicles but getting the appropriate vehicles. We are eliminating vehicles that cost more to purchase and also cost more to operate.

Mr. Fentemaker asked about using natural gas in the department's vehicles.

Mr. Martin stated that Secretary Angelle mentioned that to the commission.

Mr. Sagnibene stated that in the past they tried but they were having problems with the fueling stations and they had to go back to just regular gas.

Mr. Martin stated that as that changes, then natural gas would be very good direction for the state.

Mr. Leggett stated that we have to because we are setting an example. Now you have two new stations that have opened in Baton Rouge. As we look at new vehicles we are going to look at alternative fuel vehicles. We have been looking at hybrids; we have some hybrids in the fleet and that results in some efficiency and it is also setting an example.

Mr. Martin stated that in his business they went on a program for people that have to have a car to drive a good bit and that saves them taxes from their personal vehicle use on a company cars.

Rep. Geymann asked what about the people that drive back and fourth does that excludes. The people that have to go on ten trips a month you cut. But if someone is driving back and fourth.

Mr. Sagnibene states that does not count.

Mr. Leggett stated the they have a certain number of vehicles that required because of the nature of a persons job, say emergency response or criminal investigation. They need to have the vehicle 24/7.

Rep. Geymann asked if everyone at DEQ drives their vehicle home?

Mr. Leggett said no. In DEQ that use to be the way it was at one time but not anymore; it was their vehicle.

Mr. Leggett said they have incorporated budget management as a key indicator for administrators and before this change budget type stuff was only managed by the undersecretary.

Mr. Martin asked about any area they need to increase people.

Mr. Leggett stated no, he didn't think so. We have become more efficient as we go. The electronic DMR process you heard me talk about. We have thirteen people right now who read DMRs. That's all they do. We are converting that so it is not online. When someone submits it, it comes in electronically and the computer can recognize the flags. It knows where to go look and what cells to go look at. Those thirteen employees I have doing that will probably be reduce to three and then I will take the take the other ten employees and put them other places. We average about 300 permits a month at about \$177 per permit.

Mr. Martin said if I take real rough figures on what you just gave him, 34 cars and \$900 thousand worth of savings, if I calculate it state wide, that's \$9.7 million.

Mr. Sagnibene stated that this is his projection; he doesn't know for sure but it is going to be close to that.

Rep. Geymann asked Mr. Leggett what state general funds he is getting now, what is the amount?

Mr. Leggett stated \$3.5 million right now.

Rep. Geymann and it all comes out of state general funds. Everything else is self generated.

Mr. Leggett stated that in their package it shows where it is coming from.

Rep. Geymann asked how long before they think they will be totally self-sufficient?

Mr. Sagnibene said in the next budget cycle.

Rep. Geymann said next year?

Mr. Leggett said 2011.

Rep. Geymann asked how much they would be affected by the budget cut?

Mr. Leggett stated that they were probably a little ahead of the curve; we were already looking for ways to make ourselves more efficient.

Mr. Sagnibene stated that they have \$3.5 million in their budget. You can cut \$3.5 million. \$1.5 million of that is the lab rent.

Mr. Leggett stated that they are sixty-one employees less than they were a couple of years ago. What they have been able to do is work through the process of cutting using automation, enhancement of productivity and efficiency. We have been able to save; we don't squark about it.

Mr. Fenstermaker wanted to compliment them on what they have done. They are going to self generated funds. But he does not hear the hollering and screaming that you are transferring the burden of paying for DEQ onto industry because if you were doing that, potentially you would be cutting down on state revenue from taxation, jobs and everything else, and you would be hurting the state by doing that. You haven't done that, at least from his observation. At one time at DNR there was a tremendous effort to nickel and dime people on things in order to grab fees at every stage of the process and taking something that should have been relatively routine and making it into somewhat of a quagmire or a nightmare. But you are not doing that. Are you aware of any . . .?

Mr. Leggett stated that has been the approach. You are not going to hear me ask for more fees until I am absolutely sure we are as efficient as we can be.

Mr. Martin thanked him for coming and sharing this with us. Next we have the Office of Risk Management, Mr. Bud Thompson.

Mr. Bud Thompson, I am the Director with the Office of Risk Management.

Mr. Martin stated that Mr. Thompson is probably one of the first ones that he met with in risk management. He provided a report on various areas of state government and from his perspective he would like for him to describe his duties with the state.

Mr. Bud Thompson stated that the Office of Risk Management is responsible for the managing and directing of a comprehensive risk management program for the state, all the state agencies, boards and commissions which includes responsibility for property and casualty insurance and the management of all the claims made against the state.

Mr. Martin asked what was the budget?

Mr. Thompson stated that the budget last year was \$345 million. A lot of that was budget authority

to spend monies for hurricane recovery.

Mr. Martin asked what other types of claims would come out of the \$345 million?

Mr. Thompson stated that they manage all the property and casualty lines of coverage, everything from workers compensation, general liability, auto, personal injury, medical malpractice, wet marine, aviation, bonds and crime. If it falls under the property and casualty venue and the state has an exposure with it, we deal with it.

Mr. Martin asked about the workers compensation cost for 2008?

Mr. Thompson stated that their actual claims cost payout was \$43.7 million and there is another \$9 to \$10 million of expense costs.

Mr. Martin asked expense cost? Slightly down? So we are going in the right direction?

Mr. Thompson said our new claims for the last five years have been trending down. Back in '03 and '04 we had about 5,300 new claims and in the past year it is down to about 4,300. Overall, it has been trending down for the workers comp.

Mr. Martin stated that out of approximately one thousand employees about 1.3 percent of your employment population has a reportable injury. You have no reporting requirements for OSHA? So we don't have a total incident rate for the whole state.

Mr. Thompson said that is correct.

Mr. Martin asked Mr. Thompson to talk about their loss prevention program.

Mr. Thompson stated that the state has a loss prevention program and we put out general safety and specific manuals and guidelines for the agencies to use and each agency is required to have a safety officer and they are required to implement a safety program tailored to the needs of each agency. ORM audits and monitors those programs.

Mr. Martin asked about the safety officer. What are their duties?

Mr. Thompson stated that the safety officer's duties are wide-ranging. They do everything from investigating specific losses and claims that are reported to looking into situations that they see that are of significance or out of the ordinary or they become aware, maybe trends or idiosyncracies that become problems. They also do periodic facility inspections. Again, they provide training in many of the areas for the agencies.

Mr. Martin asked if they report back to this administration when that particular agency is not responding to the training?

Mr. Thompson said that they do.

Mr. Martin asked what happens then? I want to ask you about some of the higher incident rate

agencies.

Mr. Thompson stated that what happens is that based on audits of other things they report back to ORM. ORM makes recommendations to those agencies, we do follow up, monitor progress, and in dealing with those issues if they really don't make any progress in addressing those things there is a safety credit that is tied to the premium that the agencies pay. What we try to do is, there are times when because certain departments or agencies have a certain amount of either constitutional authority or political autonomy

Mr. Martin asked how he feels about the compliance.

Mr. Thompson stated that for the most part the agencies attempt to work with us in most cases. We have periodic problems. For example, when Bob Odom was with the agriculture department we had issues there and nobody was willing to take him on politically to address the issue, like his internal construction program where he was using clerical and management staff to go out and do construction work on weekends and after hours without training and what not and we had workers comp claims related to that. We raised those issues with him and he just ignored them.

Mr. Martin said some of the higher incident per employee ratio figures are showing up in areas such as hospitals and the office of veteran's affairs, nursing homes, and the transportation department, and the LSU main campus was higher than he would have thought or expected. Even though it was not quit the state average, it was higher than his company, which is a heavy industry company, and he would like for him to comment on why are the nursing homes having such a problem with accidents and what can we do about that. I'm talking about for every incident 50 million dollars in claims divided by the number of incidents, that is about \$11,500 per claim. So if we were to bring the state average down to industry level that would be tens of millions of dollars in savings. Do you agree with that?

Mr. Thompson said he would agree with that. Just to comment on some of those things with regard to DHH and their workers comp claims and some of the issues there, those claims were concentrated in their mental health facilities and those are problematic by their very nature. The patients of those tend to be very difficult and it's either they are not acceptable to other facilities or either the families can't deal with them at all. Most of the injuries come from interacting with those patients there. Better training will help there, training on how to interact with those patients.

Mr. Martin stated that these institutions you are talking about have an incident rate of 12% and 14% and that is appalling.

Mr. Thompson stated that in these specific agencies that you mentioned, their participation in the return-to-work transitional duty part of our program is pretty much nonexistent. If the agencies really don't make the effort to provide help to the worker to get back to work early, that is to facilitate that transition, it hurts our statistics. The longer they are off, mentally it is hard to get them back to work, so what you try to do is get them back to light duty.

Mr. Martin asked if that is a result of lack of communication with people working in those areas to provide for those types of transition periods?

Mr. Thompson said part of the problem is there but also many of the lower level employees have small accidental injury policies that help them through the time they are off work and some of this creates a dis-incentive to return to work earlier. It's not costing them anything to be off work.

Mr. Martin asked about claims administration and outsourcing that function.

Mr. Thompson stated they have looked at all that. In fact, we have been working on developing an RFP since the first of the year. In fact, Commissioner of Administration Davis last year directed us to look at outsourcing and privatization opportunities in a much more in-depth manner, and certainly I have. I was in the private sector for twenty-five years. I'm very well aware of the fact that our operation is very commercial in nature and only a very small part of it is what I would consider purely governmental in nature. It directly translates to the private sector. We are almost complete with the RFP process. By the end of this month our RFP will be complete to go through the approval process. And hopefully it will be let the last week of October so we can evaluate directly any cost efficiencies and service improvements that might be gained from outsourcing our claims management and adjusting services and loss prevention services which make up about 80% of our employees and business.

Mr. Martin stated the he understand that an employee can file a workers compensation claims online.

Mr. Thompson stated that is correct.

Mr. Martin asked how long has that been in place?

Mr. Thompson stated that is has been in place for about 3 to 4 years.

Mr. Martin asked how are the claims evaluated?

Mr. Thompson stated that they come in as a report. Then they are reviewed by the staff and then either just elevated to a claims status and then appropriate action taken or they are just left as an incident.

Mr. Martin asked if anyone just looked at the root cause of the incidence?

Mr. Thompson stated yes.

Mr. Martin asked how is that reported back to the department head?

Mr. Thompson stated that what they do is monitor by both the loss prevention staff and by the claims staff and they periodically interact and look at those issues to see if there is any specific further investigation or follow-up that they need to do on those specific incidents. We provide a claims lost listing to our agencies on a quarterly basis and our staff meets with the agencies on a regular basis to talk about their existing claims.

Mr. Peters asked how many claims do you think are fraudulent?

Mr. Martin said there is really no way of telling.

Mr. Thompson stated that there really is not. We actively scrutinize that and we actively use private investigators. We have several experienced supervisors on his workers comp staff that are quite astute at recognizing and just looking at that because of their history and knowledge. We are not hesitant if we think there is any indication of a fraudulent claim. We have to lower the total cost to the state; that is in the taxpayer's best interest.

Mr. Fenstermaker asked if the definition of disability is too broad? I know in the medical society they say, well, it's the same job you were doing if you came back to that same job then you are disabled. Is it defined or does it need to be changed?

Mr. Thompson stated that he thinks all that is pretty much fine, it's really not a problem right now. The main thing now is controlling the medical cost.

Mr. Fenstermaker said another question would be, you mentioned that the Department of Agriculture under the previous leadership, that they just didn't listen to you folks at risk management. What happens when they don't listen to risk management? Is there any penalty? Can they just sit back and say risk management said this but I not going to pay any attention?

Mr. Thompson stated that it depends on who it is.

Mr. Fenstermaker asked do they go to the legislature? Do they go to the governor? What? Is that report available?

Mr. Thompson stated that certainly Bob Odom got press with regard to that and those issues were raised in regard to that and certainly we made the commissioner of administration and the governor's office aware.

Mr. Fenstermaker said that's all you can do.

Mr. Thompson stated that is all he can do.

Mr. Fenstermaker said that he said that there was \$3.7 million or something in claims paid and that included internal health care claims of employees and what about outside lawsuits, that includes that too?

Mr. Thompson said yes, as far as workers comp.

Mr. Fenstermaker asked what is it if you go beyond workers comp?

Mr. Thompson said oh yes sir.

Mr. Fenstermaker asked when you go beyond workmen's comp if you get a judgment against the state in workmen's comp, the state the state really doesn't have to pay it unless the choose to because I can't execute the judgment against the state.

Mr. Thompson said that's correct.

Mr. Fenstermaker said but I could affect the rating in the state perhaps or whatever on that. What is the backlog on that right now, on claims that have been adjudicated and not paid by the state of Louisiana at this point?

Mr. Thompson stated that as far as he is aware, everything that has been adjudicated is in the process of being paid except for one tort claim.

Mr. Martin asked the size of that claim.

Mr. Thompson said that is the Boudreaux case, and the judgment amount was \$92 million, with interest, because that was a 1983 flooding of the Tangipahoa River. That with interest is in excess of \$300 million.

Mr. Fenstermaker asked who makes the decision to pay that or not pay, is a formula or is it a . . .

Mr. Thompson stated that it was an uninsured road hazard claim, uninsured tort claim that we inherited from DOTD when all the tort claim management was centralized in '88.

Mr. Fenstermaker asked if the judge came up and said if you don't pay that claim I'm gonna put the head of risk management of the state in jail? Is it a judge or what dictates if it should be paid or not?

Mr. Thompson stated that ever since that he has been aware of he doesn't know of any claims that haven't been paid since sovereign immunity was given up in 1974 in the constitution. This is the only one apparently because it was a budget buster. All these things are brought before the Joint Legislative Committee on the Budget.

Mr. Martin asked him to go on with his road hazard explanation. What can be done or what is your opinion on road hazard litigation, which is a little over \$280 million, is that correct?

Mr. Thompson stated that when he came in, in '02 that fiscal the office of risk management, road hazard claims were about \$72 million that year. We inherited medical malpractice and road hazard claims from DHH and DOTD which were unfunded and out on the books and that totaled about \$400 million in outstanding reserves on claims that we inherited.

Mr. Martin asked if he had any short points about tort reform that will help the state on personal injury liability which mostly comes from the Department of Corrections or get something together and send like you did on the other statistics?

Mr. Thompson stated that he sent you some tort reform issues, one of those was related to the road hazard stuff, where there needs to be some tightening up with regards to the state's immunity when a vehicle is being operated by an intoxicated, impaired driver.

Mr. Martin asked if they had been sued by a drunk driver and what was the claim on that? Do you remember?

Mr. Thompson stated that one of the ones that they did have happened that first year when he was in the office, in May of '02, and we ended up paying close to \$5 million to a drunk driver in a single car accident.

Mr. Martin said speaking of drunk drivers, we have been talking a lot about state office vehicles. Is there a background check for state drivers before they can drive a state vehicle?

Mr. Thompson said there was such a check.

Mr. Martin asked what happens when a state employee is convicted of a DWI? Do they lose there driver's license?

Mr. Thompson stated yes, and all those state agencies have been good about cooperating with us on that and looking at their drivers and implementing restrictions with regard to when they have high risk operators because we monitor motor vehicle reports.

Mr. Martin thanked Mr. Thompson for coming and testifying before the group. Next up is Mr. Paul Vallas with the Recovery School District of Orleans Parish, who was sent here by Mr. Paul Pastorek to talk about his outsourcing and privatization initiatives in the Recovery School District.

Mr. Paul Vallas, Director of the Recovery School District of Orleans Parish, introduced Ramsey Green. A little bit about my background. In the 1990's, I was finance director and the chief financial officer for the city of Chicago during the early years of the Daley administration when he did radical privatization and downsizing in government. I was chief executive officer for the Chicago public schools for close to six years and then moved on to Philadelphia before being recruited by Sen. Landrieu and Paul Pastorek to come here.

In all of my administrative responsibilities I have always taken on governmental institutions that had been financially broke. That's what I do, that's what I did in Chicago and that's what I did in Philadelphia and that's what I did here. This probably will be what I do next. We have always inherited huge problems.

There are two fundamental problems that undermine school districts' delivery of services while at the same time controlling costs. First, I call mission creep; our districts are continually being inundated with mandate after mandate after mandate. And the organizational structure of those district is just not capable of responding. So what happens is as the mission becomes distorted, the organizational structure becomes distorted and much less flexible. Secondly, the complete lack of institutional flexibility. I often say that the problem with public education, I think the standards are higher, the curriculum structure models are better, the instruction may even be better, and I think the teachers are actually better prepared than they have been in the past. But the problem is the schools have not evolved as fast as the economy has evolved. The nature of the family has evolved. Let me give you three examples of that. We still use the Farmers' Almanac. Our kids are in school about one third less or 40 percent less than the under-developed countries. This is why we keep on getting our collective butts kicked when it comes to competing internationally with the K-12 systems. Our higher education systems use to compensate for the deficiency but the developing countries are rapidly catching up, because as the economy has been liberalized across the world there has been greater demand for a higher educated work force. For example, China has six million enrolled in their engineering schools;

in this country we have fifty thousand.

The second prime example is on the whole staffing and recruiting. The work force has become much more mobile. People are changing jobs six or seven times in a lifetime, yet the educational institutions continue to recruit teachers like they use to recruit teacher forty to fifty years ago, when education was one of the few areas open to women and minorities. We used to get the best and the brightest women and minorities entering our system because the economy did not provide the same opportunities to them in other areas. The education profession was one of the first to become more integrated and provide more opportunities in that regard.

Third is the technology revolution. The state board has a limited, very small cyber school. Some of the providers are still fighting to get legislation authorizing them to open cyber schools in the state of Louisiana. So much can be learned using the cyber school concept with its cyber programs and online education. Those are the problems, those are the challengers that weigh on us.

The charter movement in many respects is a revolt against two things; one is the institutional constrictions against the designer school for kids and the second is the demand for choice. But there is a broad by-product of the charter movement and it is injecting competition into an area that has significantly lacked competition. It craves choice. It is also bringing more talent to the table because the charter movement and the charter's ability to partner with such programs as Teach for America, the program that recruits the elites among the universities for the educational profession. All the studies I have done in Louisiana about the performances of certified teachers demonstrated that they outperform the regular teachers.

Mr. Martin asked about the alternative certification.

Mr. Vallas stated that the alternative certification teachers like the Teach for America teachers basically. . . . The genesis of those programs were these graduate students at Princeton developed this concept that the colleges of education were not recruiting the best and the brightest and they were not graduating the best and the brightest. Why not expand the pull of highly qualified teachers and why not recruit among the university elite to become teachers. Individuals majoring in math and science and who are planning on becoming doctors and lawyers or MBA's. People were being drawn to these areas, not education, so they started an alternative certification program. I have used alternative certification to recruit from those programs since my Chicago days and they are always the best and the brightest.

Mr. Martin asked if the charter schools are outsourcing the traditional education?

Mr. Vallas testified that he sees it as an outsourcing of traditional education, as a management model for bringing in management resources that can take over failing schools, in some cases reconstituting an existing school that is struggling. The charter school model is a less expensive model on a per pupil funding basis. Louisiana is one of the only states that actually provides charters with their own schools. In other states, they banned school districts from providing them with free buildings. I would lease my building to them for one dollar, so in affect bypassing that.

Mr. Fenstermaker asked if it is less expensive?

Mr. Vallas stated that the difference is more pronounced in some states than other states; for example, in Chicago as much as two thousand dollars less per pupil. The cost differentials here may be one thousand dollars less, maybe a little more. Obviously there are other mandates that the larger districts are stuck with that the charters do not comply with. The reason that the models are less cost effective is because the teaching core is significantly younger. I'd like to make one comment about the recovery school district in New Orleans. All of my schools, most of my schools are charters and within the next two year about seventy-five percent of the kids will in fact be in charter schools. But I am giving all the remaining schools charter-like autonomy, the ability to select their teachers based on merit and promote them based on performance, and the ability to have open enrollment creating competition. We have an eleven month school year and an eight and one half hour school day. Our kids this year will be in school the equivalent of twenty-two thousand more minutes than is mandated by the state. That is equivalent to thirty-five percent or fifty-five days. We completely redesigned our calendars so we provided more pit stops during the school year.

Mr. Fenstermaker asked if the state limits them on that.

Mr. Vallas stated that it does not limit the Recovery School District. Regarding what individual schools have, I don't know if they have the same institutional constraints. Obviously, I have no such institutional constraints. Louisiana is a right-to-work state so there aren't these ironclad contracts, but there are some other restrictions.

I think as you are bring these departments in to talk to these departments about restructuring, remember that everyone has to de-construct before you reconstruct. I have had to cut my budget thirty five, almost forty, percent in the last two years since I have been instituting these reforms because of the exhausting of the one-time restart money. Secondly, you have to find a way to limit your fixed cost, and privatization allows you to do that. We try to outsource as much as we possibly can.

Mr. Fenstermaker asked if the number of schools went up?

Mr. Vallas stated that the number of schools did go up. It's what works most effectively. But he had the flexibility to do that.

Mr. Martin asked about the cafeteria services.

Mr. Vallas testified that they brought in a private company to run their cafeteria. Our approach has always been to privatize transportation and our cafeteria services. The entire capital plant is run by private managers. I built seventy-six schools and renovated three hundred and fifty schools with average change orders of less than four percent in less than five years in Chicago.

Mr. Martin asked how much money did they save on their cafeteria closures?

Ramsey Green, chief operating officer with RSD, testified that food is an interesting one; we are budgeted for food this year at about \$8 million. The way you run food service in the school district is, you maximize as much as possible your reimbursement by the Department of Agriculture's free and reduced lunch program. The big thing that hits us is the difference between what we spend on a meal and what our income is on a meal. Most school district are going to get a wash. Some might get a little bit of a profit--those who do it really well, getting all this data in a low income, high

poverty school, might be in the black a little bit. How our contractors dealt with this is this way. Our spending per meal has been about \$2.98 per child per year. We have a three year contract that ended at the end of June 2009. We are on a five month extension right now. In '07 and '08 we were getting reimbursed \$2.40 a meal. We have had to incentivize our charter schools to collect the data so we could maximize our reimbursement for the meals. And over time, we will increase our reimbursement.

Mr. Fenstermaker stated that they had a conversation sometime earlier and that is why the question of food service comes up. It was because at least a while back rather it was an illusion or not in this parish are any of the surrounding parishes is that the cost of the workers, they even had overtime because of the mandates and so forth and that the cost was somewhere in the neighborhood of \$20.00 an hour for somebody to work in the cafeteria. I am not even sure if that includes the retirement benefits and you name it and the privatization of that is when you look at some other choices when you look at the staffing and so forth, is that fair?

Mr. Vallas stated that was his experience in Philadelphia and Chicago was the cost of food service overall about one-third less from an employee stand point. Now, of course those were tough union times where the food service industry was part of a big union too. It might be a little less here; but clearly, there is a savings because that's where we use to get hit with workmen's comp, overtime, etc., which is not subject to those type of liabilities or abuses.

Mr. Fenstermaker asked about the quality of food.

Mr. Vallas stated that the quality of food always went up. Quite appropriately there is a push for healthier food and I like to think our foods are too healthy because they are boring and the kids don't always eat healthy stuff nor do their parents sometimes. There is a big push in New Orleans to buy more locally produced items and to have healthier foods. Only in a privatized system do you have that flexibility and enough food providers that are that responsive.

Mr. Green stated that one thing they sort of use along with the local food and the healthy food is we are in all our new buildings.

Mr. Vallas stated that those new buildings will be cheaper to insure. There has been an issue in the legislature about the insuring of buildings where there are fifty buildings. After the hurricane the state elected to take control of those buildings; obviously, there is an insurance issue. On the new buildings we are building, the insurance is going to be significantly less because those buildings don't have what the old buildings have.

Mr. Fenstermaker asked Rep. Geymann if he was aware of any issues there in just a normal school district, a non-recovery school district or are there state impediments to doing what you do?

Mr. Vallas stated that it is politics, it is more politics than anything else.

Mr. Fenstermaker asked if there are specific laws right now that prevent privatization by an individual parish?

Mr. Vallas stated that he would be surprised if there were.

Mr. Green stated that in Louisiana the bus drivers union generally is very influential. We have privatized our transportation service and the management of that transportation service by a different company.

Mr. Vallas stated that what they have done is recruited a national company to come in to assess and evaluate the company that is actually providing the buses.

Rep. Geymann asked about the cost of the charter schools.

Mr. Vallas stated that they are paid like independent districts.

Rep. Geymann asked if the student who goes to a charter school is responsible for tuition?

Mr. Vallas said no, it is free; they are like public schools. He said that the RSD is funded the same way every one else is funded with two exceptions. First, there is money allocated to the RSD for after school programs. But that money has been significantly cut. This year it will be \$4.2 million. The RSD has received no new money for the forty schools we are supporting statewide so one could argue that money covers the cost of intervening in forty schools. The only other supplement is the restart money. Our per pupil funding level got inflated because we were spending all of our restart money, putting in into a general school operation fund; and it was being spent just to get doors open-- money just to get buildings in minimal condition and modules set up. The only other subsidy is the insurance subsidy, and that has met with some controversy. The fundamental question being asked is why we are still insuring the buildings in New Orleans? I think that amounts to \$15 million a year, or \$13 million a year; the reason the state elected to insure the buildings is because after the hurricanes you had a bunch of empty buildings and no kids.

Rep. Geymann asked about the scholarship and voucher program that the state has been doing the last few years.

Mr. Vallas stated that it goes to private schools that participate.

Rep. Geymann asked if he competes with those schools?

Mr. Vallas stated that he does and so far they actually had to do a second round because not enough people expressed interest in taking advantage of the voucher program.

Rep. Geymann asked if Mr. Vallas was able to compete with them?

Mr. Vallas stated that his understanding was the children that went to those schools did very, very poorly. Apparently, they did not do well.

Rep. Geymann said the voucher program out there versus the public school system is a model of what we could be doing everywhere.

Mr. Vallas stated that charters are controversial, that charters work when you have very, very strong accountability. There is opposition to charters on the part of teachers because charters determine what the healthcare benefits are going to be. Teachers who are in charters may not be covered by the same

healthcare program they were when they were in a traditional school. The second reason is when you open a charter in a district with a limited number of schools, that fact alone can have a de-stabilizing affect if the money is not following the kids. I am decommissioning the central office to make it a very light office that manages a district of schools as oppose to managing a school district.

Mr. Raymond Peters asked about the TAP program.

Mr. Vallas stated that the TAP program is a great program because there is federal money there. There is \$500 million in federal money. We have applied for \$58 million in federal money for TAP. One charter cluster, Algiers, got \$17 seventeen million from TAP. That money can be used for professional development, paying for teacher mentors and curriculum coordinators.

Mr. Vallas stated that individual departments have individual mandates. Some of those mandates are not even legislative mandates; some are just administrative mandates. What we are doing in New Orleans is building our own cyber school. We are not building it ourselves; we are building it out of the remnants of the Louisiana cyber school program which was cut by the state. They are building in our program because we don't want them to come in and take five to six thousand dollars a kid so they are providing the courses, the technology, the system but we are staffing it so, as a result, it's going to cost three hundred and fifty dollars a course. I'm going to be able to offer a student in our high school any foreign language. They will be able to take college courses with duel credit and they will be able to do it online. That's the power of technology.

Mr. Martin asked Mr. Vallas about the cost.

Mr. Vallas said that the cost is \$350 per course. We also brought in laptops.

Mr. Green stated that primary kids and kindergarten kids don't have the motor skills to left click the button on a mouse so we retrofitted the mouse so if the kids just squeezes the mouse that is the equivalent of a click.

Mr. Vallas stated that cost \$14.00 to do the programming and \$40.00 for the computer so now all of our primary kids are working with laptops. What he has done is integrated technology into his book budget because the more technology you have the less books you need.

Mr. Fenstermaker stated that a couple of us in this town hired a private company to talk about the schools of the future and libraries of the future. It was quite an enlightening experience. Unfortunately, I discovered that I has been at a disadvantage all my life because they say great teachers teach content five to ten times faster than the average teacher. I am just a product of average teaching. So part of this technology is exposing children to teachers who can teach content to them at an alarming rate.

Mr. Vallas stated that he taught in the service for four years and agreed with that statement. Fortunately, now you can take teachers and transform them into excellent teachers by putting them in a curriculum instructional system that gives them all the tools to be effective. One of the things you might want to ask the agency how many people do they really need and can this function be performed by a part-time person or can this function be performed by a university intern. He subsidized student teachers from twenty different teaching colleges in one of his previous positions.

Mr. Martin asked about alternative education services.

Mr. Vallas stated that in Chicago and Philadelphia he outsourced his alternative education services.

He said that today school are required to provide more and more services that you really are not equipped to provide.

Mr. Martin stated that they got in trouble in his parish for that particular situation.

Mr. Vallas stated that the great thing that has happened in the last fifteen to twenty years is that since the '90s, beginning with the Clinton Administration, a whole private sector or public education private sector has emerged. Now you don't have to develop your own curriculum structure; rather, you can get them off the shelf, and figure out what works.

Mr. Martin asked that when they come in you have to have a building for them, don't you?

Mr. Vallas said not necessarily. In Philadelphia, they had their own buildings.

Mr. Martin asked how much can be saved?

Mr. Vallas stated a considerable amount of money.

Mr. Martin asked 10% or 20%.

Mr. Vallas said he would answer that by saying in New Orleans we spoiled some of the charters. in Philadelphia, he had over one billion dollars for his construction program. It didn't nearly address the needs. So when he had to open a new school, to get that school open fast and make sure it was a quality school, I would approve a charter and that charter would go out and they would do it over night.

Mr. Martin asked if there needs to be a charter school in every parish?

Mr. Vallas stated he didn't think so. He thinks all schools need to be charter-like. Every school should have the flexibility to determine the length of the school day and that length should be based on the needs of the children. Every school should have the ability to recruit the top talent and to hire people based on qualifications and merits and performance. The Department of Education needs to be able to set standards and refine those standards to make sure it's taking care of college and career prep. You must be able to identify what the best practice modules are. You need to have a statewide data management system so that schools have the data needed to evaluate student progress and provide intervention early on in the process. You need a common human resource continuum. Finally, you need to create school leadership or school support teams that can assist the schools so when you go into the state and see that a school is struggling, you can give them a school improvement plan. You bring resources to the table and give technical support. You take your best and your brightest and they do a little moon-lighting and they participate in these schools' improvement teams.

Mr. Martin asked for a summary report and congratulated him on his success in New Orleans.

Mr. Vallas stated that they are going to put together a binder for Mr. Martin and the committee.

Mr. Martin asked about the passenger vehicles. How many do you have in your district?

Mr. Vallas stated that he has given up his state car. There are so many rules and regulations governing the car that he finally went out and bought a car and turned in his state car. We have one vehicle for safety and security.

Mr. Green stated that they have about seven, and they have three for the facility planning team.

Mr. Martin stated ten for the whole district.

Mr. Vallas stated that was correct.

Mr. Martin asked how many students he has in his district.

Mr. Vallas stated they have about twenty-six thousand.

IV. Public Comments

Mr. Charles Landry stated that he came to the meeting as an observer. He is a small businessman in the area. His expertise is healthcare, and he wanted to get the flavor of these committees. He said he was very impressed. He said he could bring some people with some technical knowledge to one of the meetings to give some real deep insight into what is called global resource management. They have some very sophisticated systems.

Mr. Martin stated the group would be interested in that and in about two weeks we will have another meeting.

V. ADJOURNMENT

Mr. Martin, Chairman stated that since there is no further business to come before the committee, the committee stands adjourned. The meeting was adjourned at 4:25pm

Roy O. Martin, Chairman

10-07-09
Date Approved